

Message Text

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ORIGIN ARA-03

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DRAFTED BY: ARA/EP/P: MRRFRECHETTE

APPROVED BY: ARA-LA/EP: R.F. WEBER

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FM SECSTATE WASHDC

TO AMEMBASSY NAIROBI IMMEDIATE

C O N F I D E N T I A L STATE 189855

FOR PETER FLANIGAN AND JOHN HENNESSY

FOLLOWING SENT ACTION SECSTATE SEPT. 24 FROM LIMA:

QUOTE

C O N F I D E N T I A L LIMA 7021

E.O. 11652: GDS

TAGS: EIND, PE

SUBJECT: CERRO NEGOTIATIONS BROKEN OFF

REF: STATE 189465

1. CERRO DE PASCO LIMA OFFICE ADVISED ME THIS MORNING THAT CERRO PRESIDENT MURPHY HAD SENT TELEX TO MINISTER OF MINES AND ENERGY FERNANDEZ MALDONADO BREAKING OFF NEGOTIATIONS AND STATING THAT THE SIX PROPOSALS PRESENTED BY THE GOP COMMISSION WERE COMPLETELY UNACCEPTABLE. CERRO SPOKESMAN (MANUEL LLOSA) HAD BEEN INFORMED THAT THE COMPANY WOULD BE ISSUING A PRESS STATEMENT TODAY, BUT HE DID NOT KNOW THAT IT WOULD BE COINED IN SUCH STRONG TERMS. THE MURPHY TELEX, WHICH HE READ TO ME, WAS VERY MODERATE. BY WAY OF BACKGROUND LLOSA PROVIDED ME WITH SOME
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DETAILS OF EVENTS WHICH UNDOUBTEDLY LED TO THE CERRO

CORPORATION DECISION. APPARENTLY ON SEPTEMBER 11 MINERO PERU WAS INFORMED BY THE MINISTRY OF A NEW REGULATION REQUIRING AN ADVANCE DEPOSIT COVERING THE APPROXIMATE VALUE OF MINERALS TO BE SHIPPED. MINERO PERU DID NOT INFORM CERRO OF THIS NEW REGULATION UNTIL THE MIDDLE OF LAST WEEK, WHEN CERRO WAS PREVENTED FROM LOADING THREE SHIPS AT THEIR CALLAO DOCKS, PENDING A DEPOSIT OF SOME \$8 MILLION, THE APPROXIMATE VALUE OF THE MINERALS. AT THE SAME TIME, CERRO NEW YORK HAD ISSUED A CHECK IN THE AMOUNT OF \$3.5 MILLION TO COVER SHIPMENTS MADE DURING THE PREVIOUS 30-DAY GRACE PERIOD ALLOWED UNDER THE OLD REGULATIONS. WHEN INFORMED OF THE NEW REGULATION, CERRO STOPPED PAYMENT ON THE CHECK. ACCORDING TO LLOSA, AS WELL AS OUR OWN INTERPRETATION OF THE PERTINENT PERUVIAN LAWS AND REGULATIONS, THIS ACTION MAY WELL HAVE SERIOUS REPERCUSSIONS AFFECTING CERRO PERSONNEL, AND MAY BE ONE OF THE REASONS WALSH AND HIGGS HAVE CANCELLED THEIR SCHEDULED TRIP TO PERU. THEY MIGHT WELL BE SUBJECT TO LEGAL PROCEEDINGS IF THEY WERE TO APPEAR HERE.

3. I NEED NOT COMMENT WITH REGARD TO PROBABLE REPERCUSSIONS IN CONNECTION WITH OUR ON-GOING INVESTMENT DISPUTE NEGOTIATIONS. BELCHER

UNQUOTE. RUSH

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